



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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September 15, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

MEDICAL, DENTAL, LIFE INSURANCE AND DISABILITY PLANS FOR 2010 (ALL DISTRICTS) (3 VOTES)

SUBJECT

Recommendation to approve premium rates and benefit changes for the 2010 calendar year for the medical, dental, life and disability benefit plans applicable to represented and non-represented employees. These changes pose no additional cost to the County.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve proposed premium rates and benefit coverage changes for County-sponsored plans as follows: (a) medical and dental rates for represented employees for the period January 1, 2010 through December 31, 2010, as recommended in this letter and shown in Exhibit I, (b) medical and dental rates for non-represented employees for the period January 1, 2010 through December 31, 2010, as recommended in this letter and shown in Exhibit II; (c) optional group term life, dependent life insurance, and accidental death and dismemberment (AD&D) rates for represented employees for the period January 1, 2010 through December 31, 2010, as shown in Exhibit III; (d) accidental death and dismemberment (AD&D) rates for non-represented employees for the period January 1, 2010 through December 31, 2010, as shown in Exhibit III; and (e) rates for Short-Term Disability (STD), Long-Term Disability (LTD), and LTD Health Insurance plans, as shown in Exhibit IV.

"To Enrich Lives Through Effective And Caring Service"

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2. Instruct the County Counsel to review and approve as to form the appropriate agreements and/or amendments with Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Blue Cross), Connecticut General Life Insurance Company and CIGNA Healthcare of California, Inc. (CIGNA), Kaiser Foundation Health Plan, Inc. (Kaiser), Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic), PacifiCare of California and PacifiCare Life & Health (PacifiCare), Life Insurance of North America (LINA), SafeGuard Health Plans, Inc. (SafeGuard), and Delta Dental Plan (Delta Dental), or their successors or affiliates, for the period January 1, 2010 through December 31, 2010, and instruct the Chair to sign such agreements.
3. Approve proposed premium rates and benefit coverage changes for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS), and the California Association of Professional Employees (CAPE) for the period January 1, 2010 through December 31, 2010, as shown in Exhibit V.
4. Approve proposed premium rates and benefit coverage changes for the health plan sponsored by the Los Angeles County Fire Fighters Local 1014 (Local 1014), exclusive of the additional dental benefits proposed by Local 1014, for the period January 1, 2010 through December 31, 2010, as shown in Exhibit V.
5. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2010.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The County maintains employee health, dental, group life, and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical, dental, and life insurance plans will end on December 31, 2009. The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing benefits and to adopt changes, as recommended, for the 2010 calendar year.

Justification

Overall Premium Negotiation Process and Results

County-Sponsored Plans in General. The recommendations in Exhibits I, II, III, and IV regarding the County-sponsored plans are the result of negotiations between the health, dental, and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Mercer Human Resource Consulting (Mercer). For County-sponsored plans whose benefits are governed by Fringe Benefits Memoranda of Understanding (MOU) with SEIU Local 721 (Local 721) and the Coalition of County Unions (CCU), the unions' benefit consultants also provided input into the insurance carrier negotiation process.

Mercer's opinion is that the County-sponsored plans carriers' final negotiated rates are justified. Mercer's opinion and the supporting due diligence are documented in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend and administration costs, taking into account the health risk of, and the utilization of health care by County employees and their covered dependents. In 2009, there continues to be an ongoing pattern of increases in hospital and pharmaceutical costs driving medical insurance costs upwards at a rate estimated by Mercer at 11.2% in Southern California.

The County-sponsored medical plan rates recommended in this letter, averaging 11.1% for represented employees and 9.6% for non-represented employees, are slightly less than the Southern California average. Underlying dental trend is more moderate. Life insurance and AD&D rates are guaranteed through 2010; however, because the County's experience over the last year has been favorable, the 2010 premiums for optional term life insurance and dependent life insurance for represented employees will be reduced 2.7% and the 2010 premiums for AD&D for represented and non-represented employees will be reduced 4.8%.

County Approved Union-Sponsored Plans in General. The premium and benefit recommendations in Exhibit V regarding County approved union-sponsored health plans were negotiated by the sponsoring unions and evaluated by the CEO and DHR pursuant to the relevant provisions of the CCU Fringe MOU and County Code. The joint CEO and DHR recommendations are provided later in this report.

Renewal Policy and Process. In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the

upcoming plan year. The rate renewal process for 2010 (documented in Attachments A and B) is designed to encourage full involvement and transparency among all County, Union and carrier stakeholders. The process involves production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties fully complied with the process.

Overall Results. Attachment C is a high level summary of carrier negotiation results that compares the estimated actual total premiums from initial carrier premium quotes for 2010 with the final result after performance guarantee review, challenges to carrier underwriting, benefit changes, and negotiation. Summary reasons for the negotiated reductions are given.

Total 2010 premiums to be paid to health, dental, group life, and other insurance plan carriers are estimated to be \$994 million, which represents \$838 million for County-sponsored plans and \$156 million for Union-sponsored plans. This is an increase of \$112 million or 13% over 2009.

Total savings from initial 2010 carrier proposals is \$8.5 million. Of that, \$8.2 million are negotiated savings from 2010 carrier proposals, and \$337,000 is from performance guarantee refunds and rate credits.

Attachment C also shows the percentage increase for each carrier by cafeteria plan as well as the total increase for County-sponsored health, dental, group life and other insurance programs. The increase in medical plan premiums estimated to be paid to health carriers during 2010 will range from 7.1% to 22.2% for an average of 10.8%, which is lower than the expected average projected Southern California increase of 11.2%. The overall increase for dental plans will be 4.5%. Optional and dependent life insurance for represented employees for 2010 will decrease by 2.7% and AD&D rates for represented and non-represented employees for 2010 will decrease by 4.8%.

2010 Premium Rates Recommended for Adoption:

Recommended Rates. County and union-sponsored health, dental, group life and other insurance rates recommended for adoption are shown in Exhibits I through V. Unless otherwise noted in this letter, the rates support existing benefits enabled by the applicable MOU or County Code provision. The rates shown in these Exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the Exhibits, in many cases may differ from the negotiated increases in premium to be paid to carriers as reported in the body of this letter and in Attachment C.

Union Concurrence. Local 721 and management representatives voted in the Labor-Management Benefit Administration Committee (BAC) to recommend the premium rates and benefit coverage changes for the County-sponsored plans applicable to employees represented by Local 721. The CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted to recommend the premium rates for employees represented by the CCU.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

None. These recommendations will result in no additional County cost. Group insurance benefits for the represented and non-represented employee groups are provided through the County-sponsored cafeteria benefit plans applicable to each group. The County contributions and subsidies to these plans fund the cost of medical, dental and other group insurance coverage. In any case where the cost of this coverage exceeds the County contributions and subsidies, the balance is paid by employees through payroll deductions.

For represented employees, the County contributions and subsidies to the cafeteria plans are determined through the collective bargaining process. The negotiated amounts currently in effect are set out in the 2006-09 fringe benefit agreements with Local 721 and the CCU, which expire on September 30, 2009. Until such time as the current contributions and subsidies are changed by successor agreements, there will be no change in the County costs related to the cafeteria plans or group insurance benefits. Pending that event, the costs of the 2010 increases in group insurance premiums recommended herein will be borne entirely by the affected employees through increases in payroll deductions.

To preserve internal equity, the same treatment will be extended to non-represented employees. All increases in the premium rates affecting non-represented employees will be absorbed by the employees through higher payroll deductions pending any future Board action regarding cafeteria plan contribution or subsidy amounts.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2010 premium rate and benefit adjustments for County-sponsored plans affecting both represented and non-represented employees are stated in this section. The details of each carriers' County-sponsored medical, dental, group life, and other insurance plan proposal, Mercer's evaluation, and Mercer's opinion concerning their justification and terms of offer are given in Attachments A and B.

The Mental Health Parity Act of 2008 requires by January 1, 2010 group health plans of 50 or more employees, which provide both medical and surgical benefits and mental health or substance use benefits, to ensure that financial requirements and treatment limitations applicable to mental health/substance use disorder benefits are no more restrictive than those requirements and limitations placed on medical/surgical benefits. All County medical 2010 renewals include the cost of benefit changes to comply with Federal mental health and substance abuse benefits parity requirements.

Medical Plan Rates Affecting Represented Employees

CIGNA Rates for 2010:

CIGNA provides two different plans to employees represented by the CCU: an HMO and a point of service plan (POS). The 2010 negotiated contract rates for the CIGNA plans will increase 22.2%. These rates include a credit for missed performance guarantees. In 2007 and 2008, excessive reserves in the CIGNA Premium Stabilization Reserve (PSR) were applied to the premium which artificially deflated the premium rates. The premium subsidy applied to the 2009 renewal reduced the PSR to a more appropriate level; therefore, there will be no premium offset from the PSR in 2010. Mercer's opinion certifying CIGNA's 2010 rates as justified is included in Attachment A.

Kaiser Rates for 2010:

Kaiser's 2010 rates will increase by 9.3% for the CCU plan and 9.5% for the Local 721 plan. Mercer's opinion certifying Kaiser's 2010 rates as justified is included in Attachment A.

PacifiCare Rates for 2010:

PacifiCare provides two fully insured plans to employees represented by Local 721: an HMO and a preferred provider organization (PPO) plan. The current PacifiCare PPO plan is no longer available, so the PPO plan will transition to a United HealthCare (UHC) Choices Plus PPO. (UHC is the parent company of PacifiCare). The benefits for the UHC plan are essentially the same as the PacifiCare plan.

The UHC PPO is currently limited to a \$2 million Lifetime Maximum benefit. We are recommending that this limit be increased from \$2 million to \$5 million. Local 721 and Mercer concur with this change.

The 2009 negotiated contract premium rates for the HMO plan will increase 11.2% and the PPO plan will increase 11.7%, an overall increase of 11.2%. Mercer's opinion certifying PacifiCare's 2010 rates as justified is included in Attachment A.

Union-Sponsored Plan Benefit Changes and Rates for 2010:

Premiums for County approved union-sponsored plans will also increase for 2010. The estimated increase in premiums paid to carriers in 2010 on behalf of the union-sponsored plans is approximately \$8.5 million or 5.8% over 2009. Proposed 2010 premium increases to be paid to carriers and benefit changes for the ALADS, CAPE, and Los Angeles County Local 1014 Fire Fighters Plans are summarized below:

Summary of Union-Sponsored Plan Changes for 2010

<u>Union Sponsor</u>	<u>Average Increase in Rates to be Paid to Carrier on Behalf of Plan Sponsor</u>	<u>Requested Benefit Changes</u>
ALADS	7.0%	<ul style="list-style-type: none"> Various changes to comply with the mental health parity act.
CAPE	5.9%	<ul style="list-style-type: none"> Change mental health/substance abuse to comply with Mental Health Parity and change benefits as outlined in Exhibit V, Enclosure 2. Changes to the Out-Of-State PPO COBRA Plan Out-Of-Network: <ul style="list-style-type: none"> Ambulance coinsurance to 90% after deductible. Emergency Room coinsurance to 90% after \$50 copay (waived if admitted). Hospital Care coinsurance to 70%, carrier max payment \$420 per day. Chiropractic Care coinsurance to 70% - max 12 visits per calendar year, combined with in-network visits.
Local 1014	1.0%	<ul style="list-style-type: none"> Increase lifetime maximum for orthotics to \$3,000. Add one smoking cessation program per year up to \$250. Reduce eligibility requirements for Medically Managed Weight Loss program to BMI of 25. Allow prescription diet medication with pre-authorized Medically Managed Weight Loss program.

		<ul style="list-style-type: none">• Change out-of-network chiropractic allowable expense to reasonable and customary expense.
		<ul style="list-style-type: none">• Change acupuncture allowable expense to Blue Cross contract rate in-network, reasonable and customary out-of-network.
		<ul style="list-style-type: none">• Cover all medically necessary immunizations with no lifetime maximum.
		<ul style="list-style-type: none">• Increase annual wellness benefit to \$600.
		<ul style="list-style-type: none">• Utilize Anthem Blue Cross Centers of Expertise (COE) for all approved weight loss surgery.
		<ul style="list-style-type: none">• Provide transitional nursing with 400 hour lifetime benefit.
		<ul style="list-style-type: none">• Remove exclusion of food to home enteral tube feeding.
		<ul style="list-style-type: none">• Allow up to \$250 reimbursement for instruction on self-care and disease management for newly diagnosed diabetics.
		<ul style="list-style-type: none">• Change MHN mental health/substance abuse to comply with Mental Health Parity and change benefits as outlined in Exhibit V, Enclosure 3.

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. The complete list of carrier benefit changes, upon which the 2010 rates are based, is documented in the Union request letters attached to Exhibit V. We have reviewed the changes for all three plans and, with one exception, we support them. The exception relates to a request by Local 1014 to add dental benefits to their medical plan.

Opposition to Dental Benefits Proposed by Local 1014

As shown in Enclosure 3, Page 2, Local 1014 has proposed that certain dental benefits be added to their medical plan at no additional cost to the County. These changes would add an adult and child orthodontia benefit of \$2,000 per lifetime per individual, and general dental coverage in excess of underlying dental plan limits up to \$1,000 per individual per year. It is important to understand that these benefits are in addition to the benefits provided under the County-sponsored dental plans. They would effectively augment County-sponsored dental benefits – not replace them.

We are recommending that the Local 1014 proposed dental benefits be rejected. We are recommending that all of the other proposed Local 1014 health plan changes be approved, but not the dental changes. We think this aspect of the Local 1014 proposal is unnecessary and potentially harmful to the County's other health plans. The key concerns are as follows:

- **No Compelling Need:** The County's current dental benefits are very competitive against community norms with regard to amount and scope of coverage. Nevertheless, the County has established health care spending accounts under each of its cafeteria benefit plans that are specifically designed to cover medical and dental expenditures not otherwise covered by the County's health and dental plans. This could include, for example, orthodontia costs or any dental costs in excess of the expenditure caps under the County-sponsored dental plans. Up to \$4,800 per annum may be allocated for these purposes. Therefore, the need for the type of benefit proposed by Local 1014 has been largely addressed under the County's existing cafeteria plan structure.
- **Potentially Harmful:** Notwithstanding the availability of health care spending accounts, the Local 1014 proposal would arguably create a benefit that is unavailable to other County employees and that would effectively create an unfair competitive advantage for the Local 1014 health plan. This would likely promote a "benefit chasing" environment that could, over time, draw good health risks away from the other County approved plans. That, in turn, could frustrate long-term efforts to control costs in these plans.

It should also be noted that the Local 1014 Plan is the only County approved health plan that applies to both active and retired employees. Therefore, any change in benefits may impact future premiums for both active and retired employees – and any change affecting retirees may impact the County's liability for retiree health insurance benefits.

Local 1014 is proposing that the premium rates set out in Exhibit V be approved regardless of whether your Board approves the inclusion of the dental benefits in question. We understand that, if the dental benefits are approved, any additional costs attributable to that change will be defrayed from the Local 1014 trust. In other words, Local 1014 would absorb the costs, and not factor them into future premium rates for active or retired members. This, of course, would require that on-going Local 1014 funding be available in future years for this purpose, and that the costs in question be tracked over the long-term.

While we appreciate Local 1014's efforts to mitigate any cost impact on the County or the retiree health care program, we remain opposed to this change for the reasons outlined above.

Other Dental Plan Changes Affecting Represented Employees

The recommended employee contribution rates for County-sponsored represented employee dental plans are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta's proposed rates for 2010, less current

County subsidies included in the 2006-09 fringe benefit agreements with Local 721 and the CCU. As already noted, these subsidies will remain fixed unless and until changed by successor agreements. Since subsidies can affect year-to-year differences, the percentage rate differences shown in Exhibit I differ from those described in this section. The rates for prepaid dental plans (DeltaCare and SafeGuard) are the rates negotiated with the carriers. As indicated in Attachment A, Mercer has certified the proposed rates summarized below as justified.

The Delta Dental PPO plan contract rates for Local 721 remain the same and are guaranteed through December 31, 2010. The Delta Dental PPO plan contract rates for the CCU will increase by 5.4% for 2010. The prepaid dental plan DeltaCare USA's rates remain the same and are guaranteed through December 31, 2010 for both Local 721 and the CCU.

SafeGuard's contract rates are also guaranteed through December 31, 2010 for both Local 721 and the CCU. The actual rates for 2010 will differ slightly as they include a credit for 2008 performance guarantee penalties.

Life Insurance and Disability Programs for Represented Employees

Basic term life insurance rates for 2010 are the same as 2009 and are guaranteed through 2010. Optional group term life insurance and dependent life insurance rates will be reduced by 2.7% and AD&D rates for both Local 721 and the CCU will be reduced by 4.8% in 2010 due to favorable experience.

Medical Plan Changes Affecting Non-represented Employees

Non-represented employees who participate in the MegaFlex and Flexible Benefit plans have a choice between Kaiser and four Blue Cross health plans, which include an HMO, POS, PPO, and a Catastrophic Plan. For 2010, the negotiated contract rates for Kaiser will increase 13.9%, while the average increase in contract rates for the Blue Cross HMO and Blue Cross indemnity plans (POS, PPO, and Catastrophic) will be 7.1%.

The Blue Cross POS, PPO, and Catastrophic plans are currently limited to a \$2 million Lifetime Maximum benefit. Consistent with the aforementioned UHC change applicable to employees represented by Local 721, we are recommending that this limit be increased to \$5 million. Mercer concurs with this change.

The 2010 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to the few CEO employees working in the Washington, DC area, is community rated and will increase 5.4% for 2010. There are currently no employees enrolled in this plan.

Mercer has reviewed the proposed increases and recommends that the County accept the final 2010 renewals offered by Blue Cross and Kaiser. See attachment B for their review and opinion.

We recommend that the Board continue the historical County practice of funding any difference between the negotiated contract cost of these plans, and the contribution paid by the employees. Consistent with the treatment extended to represented employees, we are recommending no increase in County costs from the prior year. The required premium increases will be entirely paid by employee contributions with no additional County cost. The recommended employee contribution rates for non-represented employees are summarized in Exhibit II.

Dental Plan Changes Affecting Non-represented Employees

The recommended employee contribution rates for County-sponsored non-represented employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by the 2009 County subsidies previously approved by your Board. Here, too, there will be no change in existing subsidies. As indicated in Attachment B, Mercer has certified as justified the proposed rates and terms of offer summarized below.

For 2010, we are recommending that the annual maximum benefit for the second and third tiers in the Delta Dental PPO be increased to \$1,500 per person. The required premium increases will be entirely paid by employee contributions. There will be no County cost associated with these changes. Our consultant Mercer concurs with this change.

The Delta Dental PPO plan contract rates for non-represented employees will increase by 10.7%. The rates for the prepaid dental plan DeltaCare USA remain the same and are guaranteed through December 31, 2010.

SafeGuard's contract rates are also guaranteed through December 31, 2010. The actual rate for 2010 will be slightly lower due to a credit for 2008 performance guarantee penalties.

Life Insurance and Disability Programs for Non-represented Employees

MetLife's rates for supplemental Group Variable Universal Life (GVUL) insurance and the Dependent Life remain the same as 2009 and are guaranteed through December 31, 2010. CIGNA AD&D rates will be reduced by 4.8% in 2010 due to favorable experience.

Honorable Board of Supervisors
September 15, 2009
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There will be no changes in the cost of the Long-Term Disability (LTD) and Short-Term Disability (STD) rates for 2010.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:DL
WGL:WW:df

Attachments (11)

c: Auditor-Controller
County Counsel
Executive Officer, Board of Supervisors
Acting Director of Personnel
SEIU Local 721
Coalition of County Unions
Mercer

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

Plan	Option	Coverage Category ^a	Current 2009 Rates ^b	Proposed 2010 Rates ^b	Percentage Change
CIGNA Choices	Network HMO	1	\$ 334.14	\$ 408.30	22.2%
		2	\$ 663.96	\$ 812.52	22.4%
		3	\$ 764.75	\$ 935.68	22.4%
	Network POS	1	\$ 599.57	\$ 732.63	22.2%
		2	\$ 1,063.86	\$ 1,301.17	22.3%
		3	\$ 1,116.08	\$ 1,364.98	22.3%
KAISER Choices		1	\$ 448.77	\$ 490.71	9.3%
		2	\$ 892.10	\$ 975.98	9.4%
		3	\$ 1,035.71	\$ 1,133.01	9.4%
KAISER Options		1	\$ 425.94	\$ 466.86	9.6%
		2	\$ 854.88	\$ 936.72	9.6%
		3	\$ 991.10	\$ 1,086.04	9.6%
PACIFICARE Options	HMO	1	\$ 375.43	\$ 418.17	11.4%
		2	\$ 761.52	\$ 847.83	11.3%
		3	\$ 881.59	\$ 981.57	11.3%
	PPO	1	\$ 1,056.27	\$ 1,180.83	11.8%
		2	\$ 2,136.23	\$ 2,387.77	11.8%
		3	\$ 2,474.64	\$ 2,766.09	11.8%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

CIGNA, Kaiser, and PacificCare rates include Mental Health Parity costs.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

Plan	Coverage Category ^a	Current 2009 Rates ^b	Proposed 2010 Rates ^b	Percentage Change
DELTA DENTAL ^b	1	\$ 21.09	\$ 25.41	20.5%
Choices	2	\$ 35.20	\$ 42.59	21.0%
	3	\$ 52.62	\$ 63.96	21.6%
DELTA DENTAL ^b	1	\$ 39.53	\$ 39.53	0.0%
Options	2	\$ 66.20	\$ 66.20	0.0%
	3	\$ 99.79	\$ 99.79	0.0%
DELTACARE USA ^c	1	\$ 14.51	\$ 14.51	0.0%
Choices & Options	2	\$ 23.93	\$ 23.93	0.0%
	3	\$ 35.40	\$ 35.40	0.0%
SAFEGUARD ^d	1	\$ 10.21	\$ 10.18	-0.3%
Choices & Options	2	\$ 19.72	\$ 19.69	-0.2%
	3	\$ 25.72	\$ 25.69	-0.1%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidy.

Delta 2009 rates for Options are guaranteed through 12/31/2010.

^c DeltaCare 2009 rates are guaranteed through 12/31/10.

^d SafeGuard 2009 Rates are guaranteed through 12/31/2010.

SafeGuard 2010 rates reflect a credit adjustment for 2008 performance guarantee penalties.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

Plan	Option	Coverage Category ^a	Current 2009 Rates ^b	Proposed 2010 Rates ^b	Percentage Change ^f
BLUE CROSS	CaliforniaCare HMO	1	\$ 248.00	\$ 288.00	16.1%
		2	\$ 485.00	\$ 562.00	15.9%
		3	\$ 509.00	\$ 590.00	15.9%
		4	\$ 576.00	\$ 668.00	16.0%
	PLUS POS	1	\$ 375.00	\$ 435.00	16.0%
		2	\$ 753.00	\$ 873.00	15.9%
		3	\$ 770.00	\$ 893.00	16.0%
		4	\$ 859.00	\$ 996.00	15.9%
	Catastrophic	1	\$ 192.00	\$ 223.00	16.1%
		2	\$ 385.00	\$ 447.00	16.1%
		3	\$ 391.00	\$ 453.00	15.9%
		4	\$ 452.00	\$ 524.00	15.9%
	Prudent Buyer PPO	1	\$ 478.00	\$ 554.00	15.9%
		2	\$ 878.00	\$ 1,018.00	15.9%
		3	\$ 912.00	\$ 1,058.00	16.0%
		4	\$ 1,056.00	\$ 1,225.00	16.0%
KAISER Flex/Megaflex		1	\$ 248.00	\$ 288.00	16.1%
		2	\$ 485.00	\$ 562.00	15.9%
		3	\$ 509.00	\$ 590.00	15.9%
		4	\$ 576.00	\$ 668.00	16.0%
KAISER - MID-ATLANTIC		1	\$ 248.00	\$ 288.00	16.1%
		2	\$ 485.00	\$ 562.00	15.9%
		3	\$ 509.00	\$ 590.00	15.9%
		4	\$ 576.00	\$ 668.00	16.0%
DELTA DENTAL ^c Flex/Megaflex		1	\$ 25.05	\$ 32.12	28.2%
		2	\$ 38.42	\$ 51.67	34.5%
		3	\$ 42.36	\$ 55.09	30.1%
		4	\$ 63.36	\$ 82.50	30.2%
DELTACARE USA ^d Flex/Megaflex		1	\$ 14.51	\$ 14.51	0.0%
		2	\$ 25.07	\$ 25.07	0.0%
		3	\$ 24.89	\$ 24.89	0.0%
		4	\$ 36.13	\$ 36.13	0.0%
SAFEGUARD ^e Flex/Megaflex		1	\$ 10.21	\$ 10.18	-0.3%
		2	\$ 19.14	\$ 19.11	-0.2%
		3	\$ 21.58	\$ 21.55	-0.1%
		4	\$ 28.18	\$ 28.15	-0.1%

^a 1 = Employee only

2 = Employee + Child(ren)

3 = Employee + Spouse

4 = Employee + Spouse + Chil(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.

Blue Cross rates include the cost of the 360 degree health programs and the cost of the vision benefit for the HMO, POS, and PPO.

^c Delta Dental rates for 2010 reflect County subsidies.

Delta 2010 rates are guaranteed for one year and include plan design changes.

^d DeltaCare 2009 rates are guaranteed through 12/31/2010.

^e SafeGuard Rates are guaranteed through 12/31/2010.

SafeGuard rates for 2010 reflect a credit adjustment for 2008 performance guarantee penalties.

^f The percentage change in medical and Delta Dental premiums are higher than indicated in the letter since the County subsidy has not been adjusted from 2009 to 2010.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

	Monthly Cost per \$1,000 of Insurance	
	<u>2009^a</u>	<u>2010^a</u>
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE	\$0.275	\$0.275

**OPTIONAL GROUP TERM LIFE INSURANCE
FOR REPRESENTED EMPLOYEES**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2009^{a,b}</u>	<u>2010^{a,b}</u>
Less than 30	\$0.042	\$0.041
30-34	\$0.072	\$0.070
35-39	\$0.081	\$0.079
40-44	\$0.090	\$0.088
45-49	\$0.135	\$0.131
50-54	\$0.207	\$0.201
55-59	\$0.387	\$0.377
60-64	\$0.594	\$0.578
65-69	\$0.848	\$0.825
70 and over	\$1.630	\$1.586

Dependent Term Life Insurance:

Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have. Coverage is offered in increments of \$5,000 up to \$20,000. Dependent care coverage premium is charged to the employee.

<u>2009^a</u>	<u>2010^a</u>
\$0.982	\$0.955

^a Rates are guaranteed through 12/31/2010. Optional Life and Dependent Life rates are reduced for 2010.

^b The County subsidizes 15% of the monthly premium.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

<u>Employee Coverage</u>	<u>Current 2009 Rates*</u>		<u>Proposed 2010 Rates*</u>	
	<u>Employee Only Plan G</u>	<u>Employee & Dependents Plan H</u>	<u>Employee Only Plan G</u>	<u>Employee & Dependents Plan H</u>
\$ 10,000	\$0.21	\$0.41	\$0.20	\$0.39
\$ 25,000	\$0.52	\$1.02	\$0.50	\$0.98
\$ 50,000	\$1.05	\$2.05	\$1.00	\$1.95
\$100,000	\$2.10	\$4.10	\$2.00	\$3.90
\$150,000	\$3.15	\$6.15	\$3.00	\$5.85
\$200,000	\$4.20	\$8.20	\$4.00	\$7.80
\$250,000	\$5.25	\$10.25	\$5.00	\$9.75
\$300,000	\$6.30	\$12.30	\$6.00	\$11.70
\$350,000	\$7.35	\$14.35	\$7.00	\$13.65

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

The maximum insurance coverage amount for represented participants is \$250,000.

* Rates are guaranteed through 12/31/2010. AD&D rates are reduced for 2010.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

**OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE
FOR FLEX/MEGAFLEX PARTICIPANTS**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2010 Rate*</u>	<u>Age</u>	<u>2010 Rate*</u>	<u>Age</u>	<u>2010 Rate*</u>
20-24	\$0.045	57	\$0.338	77**	\$2.476
25-29	\$0.056	58	\$0.381	78**	\$2.794
30-34	\$0.065	59	\$0.425	79**	\$3.148
35-39	\$0.067	60	\$0.478	80**	\$4.064
40	\$0.078	61	\$0.538	81**	\$4.690
41-42	\$0.079	62	\$0.594	82**	\$5.116
43	\$0.088	63	\$0.639	83**	\$5.579
44	\$0.100	64	\$0.708	84**	\$6.078
45	\$0.111	65	\$0.736	85**	\$6.631
46	\$0.121	66	\$0.826	86**	\$7.211
47	\$0.132	67	\$0.879	87**	\$7.846
48	\$0.154	68	\$0.979	88**	\$8.526
49	\$0.164	69	\$1.088	89**	\$9.225
50	\$0.175	70	\$1.197	90**	\$9.941
51	\$0.197	71	\$1.323	91**	\$10.694
52	\$0.207	72	\$1.469	92**	\$11.465
53	\$0.228	73	\$1.613	93**	\$12.263
54	\$0.251	74	\$1.786	94**	\$13.071
55	\$0.284	75	\$1.968		
56	\$0.305	76**	\$2.186		

* Rates are guaranteed through 12/31/2010.

Employee cost for Megaflex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

Dependent Term Life Insurance for Flex and Megaflex Participants

Cost per month per \$5,000 of dependent life coverage,
up to \$20,000.

2010 Rate*

1.24**

SURVIVOR INCOME BENEFIT - For Megaflex participants enrolled in Retirement Plan E

<u>Employee Age</u>	Current 2009 Rates*		Proposed 2010 Rates*	
	<u>Employee Cost**</u> <u>(25% Option)</u>	<u>Employee Cost**</u> <u>(50% Option)</u>	<u>Employee Cost**</u> <u>(25% Option)</u>	<u>Employee Cost**</u> <u>(50% Option)</u>
Under 30	0.140%	0.270%	0.140%	0.270%
30 to 34	0.173%	0.356%	0.173%	0.356%
35 to 39	0.227%	0.464%	0.227%	0.464%
40 to 44	0.324%	0.637%	0.324%	0.637%
45 to 49	0.432%	0.864%	0.432%	0.864%
50 to 54	0.572%	1.145%	0.572%	1.145%
55 to 59	0.821%	1.653%	0.821%	1.653%
60 to 64	1.123%	2.246%	1.123%	2.246%
65 to 69	1.545%	3.089%	1.545%	3.089%
70 and over	2.743%	5.487%	2.743%	5.487%

* Rates are guaranteed through 12/31/2010.

** Employee Cost for Megaflex is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2009 Rates			Proposed 2010 Rates		
<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>	<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>
70%	14 Days	0.000%	70%	14 Days	0.000%
100%*	7 Days	0.934%	100%*	7 Days	0.934%

* Reduced to 80% after 21 days

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	Current 2009 Rates		<u>Income Replacement</u>	Proposed 2010 Rates	
	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>		<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%		0.000%	0.040%
60%	0.117%	0.157%		0.117%	0.157%

* Plan E plus 5 more years of continuous service

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

For Flex/MegaFlex Employees

<u>Current 2009 Rate</u>		<u>Proposed 2010 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

For Represented Employees

<u>Current 2009 Rate</u>		<u>Proposed 2010 Rate</u>	
75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
\$0.00	\$3.00	\$0.00	\$3.00

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2009 RATES AND PROPOSED 2010 RATES**

Plan	Option	Coverage Category ^a	Current 2009 Rates ^b	Proposed 2010 Rates ^b	Percentage Change ^c
ALADS	Prudent Buyer Plan	1	\$ 601.37	\$ 646.33	7.5%
Blue Cross	Under Age 50	2	\$ 1,174.63	\$ 1,263.98	7.6%
		3	\$ 1,348.68	\$ 1,451.71	7.6%
	Prudent Buyer Plan	1	\$ 601.37	\$ 646.33	7.5%
	Age 50 and Over	2	\$ 1,174.63	\$ 1,263.98	7.6%
		3	\$ 1,348.68	\$ 1,451.71	7.6%
	CaliforniaCare	1	\$ 392.77	\$ 418.41	6.5%
	Basic Plan	2	\$ 762.43	\$ 813.69	6.7%
	(All Ages)	3	\$ 947.79	\$ 1,011.94	6.8%
	Prudent Buyer Plan	1	\$ 689.89	\$ 741.71	7.5%
	Premier Plan	2	\$ 1,263.15	\$ 1,359.36	7.6%
	Under Age 50	3	\$ 1,437.20	\$ 1,547.09	7.6%
	Prudent Buyer Plan	1	\$ 689.89	\$ 741.71	7.5%
	Premier Plan	2	\$ 1,263.15	\$ 1,359.36	7.6%
	Age 50 and Over	3	\$ 1,437.20	\$ 1,547.09	7.6%
	CaliforniaCare	1	\$ 481.29	\$ 513.79	6.8%
	Premier Plan	2	\$ 850.95	\$ 909.07	6.8%
	(All Ages)	3	\$ 1,036.31	\$ 1,107.32	6.9%
CAPE Blue Shield	Classic	1	\$ 564.90	\$ 607.00	7.5%
		2	\$ 1,095.59	\$ 1,176.56	7.4%
		3	\$ 1,412.62	\$ 1,401.56	-0.8%
	Lite	1	\$ 335.72	\$ 363.00	8.1%
2		\$ 698.55	\$ 749.56	7.3%	
3		\$ 905.24	\$ 944.56	4.3%	
	PPO	1	\$ 560.85	\$ 604.00	7.7%
	(Out-of-state only)	2	\$ 1,087.49	\$ 1,169.56	7.5%
		3	\$ 1,402.09	\$ 1,391.56	-0.8%
FIREFIGHTERS LOCAL 1014 ^c		1	\$ 496.00	\$ 501.00	1.0%
		2	\$ 942.56	\$ 951.56	1.0%
		3	\$ 1,118.56	\$ 1,129.56	1.0%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies^c Rates for the Firefighters 1014 Medical plan are pending at this time.

ENCLOSURES TO EXHIBIT V

1. ALADS Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 • (800) 842-6635 • Fax (818) 678-0030

July 23, 2009

VIA U.S. MAIL AND E-MAIL: mkeehn@hr.lacounty.gov

Ms. Lisa M. Garrett, Acting Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Ms. Maryanne T. Keehn
Senior Human Resources Manager
Employee Benefits – Deferred Income Division
Department of Human Resources
County of Los Angeles
3333 Wilshire Boulevard, Tenth Floor
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2010 HEALTHCARE PLAN PREMIUMS

Dear Ms. Keehn:

Following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2010 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	\$646.33	\$1,239.42	\$1,457.15
Prudent Buyer Premier	\$741.71	\$1,364.80	\$1,552.53
CaliforniaCare Basic	\$416.41	\$819.13	\$1,017.38
CaliforniaCare Premier	\$513.79	\$914.51	\$1,112.76

Further, the ALADS plans do provide "Creditable Coverage" as defined in the Act.

Sincerely,


Bud Treese
ALADS Trust Administrator

*A joint trust of the Association for Los Angeles Deputy Sheriffs and the Professional Peace Officers Association

(Computer generated and laser printed in-house)



July 31, 2009

Maryanne Keeln
 Senior Human Resources Manager
 Employee Benefits-Deferred Income Division
 County of Los Angeles
 Department of Human Resources
 3333 Wilshire Boulevard
 Los Angeles, CA 90010

Re: 2010 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Ms. Keeln:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2010 for the CAPE/Blue Shield Point of Service Classic and Lite medical plans, and the out-of-state PPO COBRA medical plan. Attached please find the benefit structures and rates for all three plans.

In order to comply with the Federal Mental Health Parity HR 1424 regulations, the mental health benefits in all three plans have been adjusted for plan year 2010. The revised benefits on the attached summaries reflect these mandated changes as follows:

LITE PLAN:

- Mental Health Outpatient:
 HMO: 100% after \$10 copayment
 PPO: 100% after \$25 copayment for consultation only (not subject to deductible)
 Out-of-Network: 60% after deductible
- Mental Health Inpatient:
 PPO: 80% after deductible

CLASSIC PLAN:

- Mental Health Outpatient:
 HMO: 100% after \$10 copayment
 PPO: 100% after \$20 copayment for consultation only (not subject to deductible)
 Out-of-Network: 60% after deductible
- Mental Health Inpatient:
 PPO: 90% after deductible

PPO OUT-OF-STATE COBRA PLAN:

- Mental Health Outpatient:
PPO: 100% after \$20 copayment (not subject to deductible)
Out-Of-Network: 70% after deductible
- Mental Health Inpatient:
PPO: 90% after deductible
Out-Of-Network: 70% after deductible, carrier max payment \$420 per day

In addition to the mandated mental health changes, the following out-of-network benefits have been enhanced in the Out-of-State PPO COBRA Plan:

- Ambulance:
Out-Of-Network: 90% after deductible
- Emergency Room:
Out-Of-Network: 90% after \$50 copayment (waived if admitted)
- Hospital Care:
Out-Of-Network: 70% after deductible, carrier max payment \$420 per day
- Surgery:
Out-Of-Network: 70% after deductible, carrier max payment \$420 per day
- Chiropractic Care:
Out-Of-Network: 70% - maximum 12 visits per calendar year combined with in-network visits
- Home Health Care:
Out-Of-Network: 70% after deductible (combined 100 visits per calendar year)

We would appreciate your forwarding the 2010 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST



John W. Fallon
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

2010 CAPE/Blue Shield

Lite Plan*

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursement Based On Allowable Amount)
Type of Plan	A Point of Service Plan		
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	None	\$500 per person; \$1,000 per family maximum (combined PPO Network and Out-of-Network)	\$500 per person; \$1,000 per family maximum (combined PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	\$2,000/person; \$4,000/family	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	\$4,000,000 (combined PPO Network/Out-of-Network)	\$4,000,000 (combined PPO Network/Out-of-Network)
PREVENTIVE CARE			
Immunizations	100%, no copayment	100% after \$25 copayment (not subject to deductible)	60% after deductible
Periodic Health Exams	100%, no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% after \$25 copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography - not subject to deductible)	60% after deductible (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)
Vision Care	Up to age 18 screenings only; 100%; All members one eye exam per year- \$10 copayment at MES providers only	Non-MES providers-Ophthalmologist exam up to \$60 reimbursement/ Optometrist exam up to \$50 reimbursement	Non-MES providers-Ophthalmologist exam up to \$60 reimbursement/ Optometrist exam up to \$50 reimbursement
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	60% after deductible	60% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$30 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%, no copayment	80% after deductible	60% after deductible, carrier max payment \$360 per day
Maternity	100%, no copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Surgeries	100%; no copayment (urgent \$75 copayment)	60% after deductible	60% after deductible, outpatient-carrier max payment \$360 per day
X-Ray & Lab Tests	100%; no copayment	60% after deductible	60% after deductible
Prescription Drugs	\$3 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 30-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$3 (generic), \$15 (brand name), \$50 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preauthorization)	Covered emergencies only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Mental Health-Inpatient	100%, no copayment	80% after deductible	60% after deductible, carrier max payment \$360 per day
---Provided through United Behavioral Health. Must be arranged through MHEA---			
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$15 copayment	100% after \$15 copayment	Not covered
---Includes acupuncture; up to 30 combined visits/calendar year (based on medical necessity)---			
---Provided through American Specialty Health Plans---			
Hearing Aids	\$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	80% after deductible (combined 100 visits per calendar year)	60% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	Not covered unless authorized by Blue Shield
Physical Therapy	100% after \$10 copayment	80% after deductible	60% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	80% after deductible (combined 100 days per calendar year)	60% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2010 Premium Rates

Employee Only:	\$363.00
Employee + One:	\$755.00
Employee + Family:	\$950.00

**2010 CAPE/Blue Shield
Classic Plan***

(800) 487-5092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursement Based On Allowable Amount)
Type of Plan		A Point of Service Plan	
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	None	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	\$7,000/person; \$4,000/family	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	\$4,000,000 (combined PPO Network/Out-of-Network)	\$4,000,000 (combined PPO Network/Out-of-Network)
PREVENTIVE CARE			
Immunizations	100%, no copayment	100% after \$20 copayment (not subject to deductible)	60% after deductible
Periodic Health Exam	100%, no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100% after \$20 copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)	60% after deductible (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)
Vision Care	Up to age 18 screenings only; 100%; All members one eye exam per year; \$10 copayment at MES providers only	Non-MES Providers-Ophthalmologist exam up to \$60 reimbursement/ Optometrist exam up to \$30 reimbursement	Non-MES providers-Ophthalmologist exam up to \$60 reimbursement/ Optometrist exam up to \$50 reimbursement
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	90% after deductible	90% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%, no copayment	90% after deductible	60% after deductible, carrier max payment \$420 per day
Maternity	100%; no copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Surgery	100%, no copayment (outpatient \$50 copayment)	90% after deductible	60% after deductible, outpatient-carrier max pmt \$420 per day
X-Ray & Lab Tests	100%; no copayment	90% after deductible	60% after deductible
Prescription Drugs	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order- 90-day Supply \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval), Mail-Order- 90-day Supply \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	Covered emergency only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)	60% after deductible
Mental Health-Inpatient	100% no copayment	90% after deductible	60% after deductible, carrier max payment \$420 per day
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$10 copayment	100% after \$10 copayment	25% covered
---Includes acupuncture, up to 40 combined visits/calendar year (based on medical necessity)--- ---Provided through American Specialty Health Plan,---			
Hearing Aids	\$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	90% after deductible (combined 100 visits per calendar year)	60% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	Not covered unless authorized by Blue Shield
Physical Therapy	100% after \$10 copayment	90% after deductible	60% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	90% after deductible (combined 100 days per calendar year)	60% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancy, the carrier's summary takes precedence.

2010 Premium Rates

Employee Only:	\$607.00
Employee + One	\$1,182.00
Employee + Family:	\$1,407.00

**2010 CAPE/Blue Shield
COBRA PPO Plan***

(800) 487-3692 www.blueshieldca.com

BENEFITS	IN-NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	A Preferred Provider Option Plan	
Who is Eligible	Participants residing outside the State of California	Participants residing outside the State of California
Calendar Year Deductible	\$250 per person; \$500 per family maximum (combined-In-Network and Out-of-Network)	\$250 per person; \$500 per family maximum (combined-In-Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	After deductible, \$3,000/person; \$6,000/family (combined - In-Network and Out-of-Network)	After deductible, \$10,000/person; \$20,000/family (combined - In-Network and Out-of-Network)
Lifetime Maximum Benefit	\$6,000,000 (combined PPO Network/Out-of-Network)	\$6,000,000 (combined PPO Network/Out-of-Network)
PREVENTIVE CARE		
Immunizations	\$20 copayment per visit (not subject to deductible)	Not covered
Periodic Health Exams	\$20 copayment per visit (Includes Well Woman Pap Smear and Mammography ¹)	Not covered
	Well Baby Lab subject to deductible	
Vision Care (dependent child to age 18)	Screening only included in Annual Exam copayment	Not covered
MEDICALLY NECESSARY CARE		
Ambulance	90% after deductible	90% after deductible
Doctor Office Visits	\$20 copayment (not subject to deductible)	70% after deductible
Emergency Room	90% after \$50 copayment (waived if admitted)	90% after \$50 copayment (waived if admitted)
Hospital Care	90% after deductible	70% after deductible, carrier max payment \$420 per day
Maternity	100% after \$20 copayment (not subject to deductible)	70% after deductible
Surgery	90% after deductible	70% after deductible, outpatient-carrier max payment \$420 per day
X-Ray & Lab Tests	90% after deductible	70% after deductible
Prescription Drugs	\$10 (generic), \$15 (brand name), \$30 (nonformulary) Mail-Order 90-day Supply: \$20 (generic), \$30 (brand name), \$60 (nonformulary)	Covered for emergencies ² - 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE		
Mental Health-Outpatient	\$20 copayment (not subject to deductible)	70% after deductible
Mental Health-Inpatient	90% after deductible	70% after deductible, carrier max payment \$420 per day
	¹ —Provided by United Behavioral Health. Must be arranged through MHSA— ²	
Chiropractic Care	\$20 copayment - maximum 12 visits per calendar year combined with Out-of-Network visits	70% - maximum 12 visits per calendar year combined with In-Network visits
OTHER PLAN BENEFITS		
Home Health Care	90% after deductible (combined 100 visits per calendar year)	70% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	Not covered unless authorized by Blue Shield
Physical Therapy	90% after deductible	70% after deductible
Skilled Nursing Facility	90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2010 Premium Rates

Employee Only: \$604.00
Employee + One: \$1,175.00
Employee + Family: \$1,397.00

ENCLOSURE 3



**LOS ANGELES COUNTY FIRE FIGHTERS
LOCAL 1014 HEALTH AND WELFARE PLAN**

3460 FLETCHER AVENUE · EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



August 24, 2009

Ms. Maryanne Keehn
Senior Human Resources Manager
Employee Benefits/ Deferred Income Division
County of Los Angeles
Department of Human Resources
3353 Wilshire Boulevard
Los Angeles, California 90010

VIA FACSIMILE 213-637-0832
Hard Copy US Mail

**RE: Plan Year 2010 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan**

Dear Ms. Keehn:

In response to your letter of June 10, 2009, I am providing employee benefit and premium changes that the Board of Trustees approved at their meeting of July 27, 2009 for Plan Year 2010. The Trustees wish to have these changes included in your letter to the Board of Supervisors.

In developing these changes, the Plan's Board of Trustees worked with our consulting firm, Mercer, to review experience, project future costs and appropriately price the financial impacts of the proposed changes.

The following are the benefit enhancements for 2010:

- Increase lifetime maximum for in-shoe orthotics from \$1,000 to \$3,000
- Cover one smoking cessation program per year up to \$250
- Reduce eligibility requirement for Medically Managed Weight Loss program from BMI of 30 to BMI of 25
- Allow prescription diet medications in connection with pre-authorized Medically Managed Weight Loss program.
- Change out-of-network chiropractic allowable expense from \$100 to the reasonable and customary expense.
- Change acupuncture allowable expense from \$50 to Blue Cross contract rate in-network, reasonable and customary expense out-of-network

*Representing Professional Firefighters in 54 Cities and the County of Los Angeles
Affiliated with . . . International Association of Fire Fighters, AFL-CIO • California Professional Firefighters, AFL-CIO
California Labor Federation, AFL-CIO • L.A. County Federation of Labor, AFL-CIO*



- Remove \$3,000 lifetime maximum for immunizations and cover all medically necessary immunizations for persons of any age (except separate well-baby care benefit) under the Wellness Benefit.
- Increase annual Wellness Benefit from \$550 to \$600
- Restrict covered weight loss surgery to those approved under the Anthem Blue Cross Centers of Expertise (COE) program
- Provide a transition nursing benefit with 400 hour lifetime limit. Allowable expense of Blue Cross contract rate in-network, \$100 per hour out-of-network
- Remove exclusion of food for enteral tube feeding at home
- Allow reimbursement for instruction on self-care and disease management for newly diagnosed diabetics up to \$250
- Change MHN mental health/substance use benefit to comply with Mental Health Parity. Remove number-of-visit limits for outpatient treatment both in network and out-of-network; remove hospital day limits both in-network and out of network; change hospital reimbursement to 90% in-network and remove \$200 deductible, change out-of-network from 80% to 70%.

In addition, the Trustees voted to offer the following benefits at no additional cost to Los Angeles County:

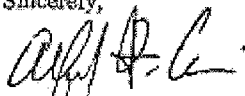
- Provide adult and child orthodontia benefit of \$2,000 per lifetime per individual
- Provide dental coverage in excess of underlying dental plan limits up to \$1,000 per individual per year.

The Board of Trustees approved a 1% premium increase for active employees beginning January 1, 2010. Our monthly rates for 2010, rounded to the nearest dollar are as follows:

Member Only	\$ 501.00
Member + 1 Dependent	\$ 957.00
Family	\$1,135.00

Needless to say, should you have any questions, please contact me by E-mail or call me at (800) 660-1014.

Sincerely,



Alfred F. Cain, CEBS
Administrative Manager

C: Dave Gillotte

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Attachment A

Marci Burns
Principal

777 South Figueroa Street, Suite 1900
Los Angeles, CA 90017
213 346 2221 Fax 213 346 2680
marci.burns@mercer.com
www.mercer.com

August 19, 2009

Ms. Maryanne Keehn
Chief of Employee Benefits
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject:

Summary of 2010 Renewal Results and Recommendations - Represented Plans

Dear Maryanne:

The following letter summarizes the 2010 renewal proposals for medical, dental, life and AD&D plans offered to the represented employees of the County of Los Angeles (County), including our analysis, observations and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2010 is 11.1%, or about \$61.5 million over expected premiums for 2009. The initial proposed renewal increase for the represented medical plans was 12.2%. Negotiated reductions to the medical renewals (exclusive of benefit design changes) equate to \$6.5 million.

After evaluation of the renewal proposals, Mercer recommends that the County accept the final 2010 renewal increases offered by CIGNA, Kaiser and PacificCare as outlined in the table below. We believe the renewals are justified for all plans. A summary of key issues, proposal terms and negotiation results are outlined by carrier in the following pages.

	CIGNA	Kaiser Choices	Kaiser Options	PacificCare
Final 2010 Renewal Action	+22.2%	+9.3%	+9.5%	+11.2%

CIGNA

CIGNA initially proposed a 26.5% increase to the combined HMO and POS rates for 2010; about a \$12.3 million increase from 2009 premiums. These rates include \$52,909 in 2008 performance guarantee penalty credits and do not include any claim fluctuation margin. For 2009, CIGNA's rate development process indicated the need for a rate increase of 6.7%. However, due to the accumulation of a large surplus in a premium stabilization account (PSR), CIGNA artificially reduced the premium 3.7% instead. Therefore, the large percentage increase is leveraged significantly by the "snap back" effect of basing the year-over-year change on an artificially reduced premium.

On a stand-alone basis, the HMO increase would have been 27.1% and the POS plan would have been 17.8%. Because the CIGNA rates are blended, the POS participants will be subsidizing the HMO participants for 2010.

Our renewal discussions with CIGNA targeted the following issues:

- Significant increases in fee for service claims
- The impact of very large, unpredictable claims on the renewal, and ways to lessen this impact
- A 10% increase in the capitation expenses, which is unusually high
- CIGNA's ability to manage members with expensive, chronic conditions which account for almost a third of total costs

The County's financial arrangement with CIGNA provides for a year-end reconciliation of premiums, claims and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent funds are available. The PSR had grown to a significant level in 2007 and 2008; however, the premium subsidy applied to the 2009 renewal has depleted the PSR to a more appropriate level. Therefore, there will be no premium offset from the PSR for 2010.

The chart below summarizes the three year history of the PSR.

	2007	2008	2009 ¹
Premium	\$44,620,581	\$44,090,806	\$45,837,764
Year-end Premium Stabilization Reserve (PSR)	\$8,821,882	\$7,848,189	\$1,390,485
PSR % of Premium	19.3%	17.8%	3.0%

¹ CIGNA projection; actual year-end balance will vary based on policy year results.

Page 3
August 19, 2009
Ms. Maryanne Keehn
County of Los Angeles

We noted in the review process that there were several large individual claims. We asked CIGNA to provide quotes for stop-loss coverage at various attachment points to determine if such stop-loss coverage should be included in the 2010 renewal rates. In all cases the insurance premium was significantly greater than the current claim amounts in excess of the attachment points. Therefore, stop-loss insurance is not recommended for 2010.

Attachment Point	\$300,000	\$400,000	\$500,000
2010 S/L Premium	\$2,322,606	\$1,592,310	\$1,158,376
2008/9 Excess Claims	\$1,402,401	\$1,030,664	\$730,664

Negotiations with CIGNA resulted in a final 22.2% increase; about \$10.3 million over current costs, for a savings of just over \$2 million. If the 2009 rates had not been artificially reduced to lower the significant PSR surplus, this renewal would have been 10.3%, or about \$5.3 million. CIGNA's renewal includes the cost of benefit changes to comply with federal mental health and substance abuse benefits parity requirements. It is our conclusion that CIGNA's final renewal position is justified based on the County's experience.

Kaiser

Kaiser's renewal proposal was a 9.3% increase for the Choices plan and a 9.5% increase for the Options program. These rates include the cost of benefit changes to comply with federal mental health and substance abuse benefits parity requirements. There were no performance guarantee penalties due from 2008.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Impact of the current economy on utilization
- Year over year cost trends
- Changes to fee schedule and the impact on County results
- Health and wellness capabilities and commitment

Although 58% of the County-sponsored represented plan members are covered by the Kaiser plan; Kaiser's membership has steadily declined over the years, down from 61% in 2007 and 65% in 2006. Due to the results of the recent risk study which showed that Kaiser covers a higher risk population than the other health plans, Kaiser indicated that if the County were to implement risk-adjusted employee contributions, they would be willing to offer a rate concession for the 2010 renewal. Absent of that contribution change, however, they are unwilling to reduce the rates.

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August 19, 2009
Ms. Maryanne Keehn
County of Los Angeles

Kaiser has again pointed to the County's status as a similarly sized subscriber group (SSSG) with respect to the Federal government, which limits Kaiser's ability to negotiate with certain groups, as a reason for not being able to adjust their rates.

United Health Care/PacifiCare

PacifiCare's initial renewal proposal was a 13.8% overall increase; 13.8% for the HMO plan and 15.1% for the PPO plan – an increase of almost \$24 million over current premiums. The renewals are based on the following:

- Benefit changes to comply with mental health and substance abuse parity requirements
- \$82,743 in performance guarantee penalty credits for 2008
- Transitioning the current PPO plan from the PacifiCare platform to the UHC platform

Discussions with PacifiCare targeted the following key areas:

- Their high utilization and unit cost trends
- Significant increase in capitation costs, due to provider group acquisitions
- Economic impact to utilization and rating
- Consideration of the significant wellness programs that have been in place and their impact to trend
- PacifiCare's continued membership growth
- Management of high cost and chronic cases

Negotiations resulted in final renewals of 11.2% on the HMO and 11.7% for the PPO, for a savings of \$4.5 million over the initial renewal position. PacifiCare applied a reduced trend to better align with the County's positive utilization and health management programs, updated experience and provided additional detailed information about the capitation adjustments. Their final renewal offer also included:

- Increasing the lifetime benefit maximum from \$2 million to \$5 million for the PPO plan, which increases the annual premium by \$5,500
- PPO platform transition:
 - Securing funding for a pre-implementation review for the platform transition in the amount of \$15,000
 - A \$20,000 implementation performance guarantee
 - Continuation of VSP as the PPO vision provider, rather than UHC's Spectera
 - Continuation of current Rx benefit for current members
- Continued funding of the Wellness program for 2009, including, telephonic coaching, incentives, Wellness portal, online HRAs, and a specified number of 'lunch and learns'.

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August 19, 2009
Ms. Maryanne Keehn
County of Los Angeles

We believe that PacifiCare has justified their renewal position and that the County should accept their offer.

Dental Plans

The Options PPO plan and the Delta and Safeguard DHMO plans are in rate guarantees through 2010. The following summarizes the Choices PPO plan renewal. Also, a change to the Safeguard DHMO billing rates for both Options and Choices is outlined.

Delta Dental PPO

This is the first year that Choices and Flex/MegaFlex plan experience is being tracked separately for rating purposes. For the Choices program, Delta initially proposed a 5.4% increase to the contract rates and a 14% increase to the billed rates, with a one year rate guarantee. Rates are based on the current plan design and do not include any performance guarantee penalties.

Billed rates are currently lower than contract rates due to the available premium stabilization reserve (PSR). However, Delta's initial 2010 proposal did not apply any of the available funds from the PSR. Upon further evaluation of the projected PSR balance, Delta agreed to apply a subsidy of just over 3%, or \$623,000 to the Choices rates. The final billed rate increase is 10.4%. Since the 2010 subsidy percentage is less than the 8% subsidy for 2009, the billed rate renewal increase is higher than the contract rate renewal increase.

DeltaCare USA – DHMO

Current rates are guaranteed through 2010.

Safeguard Prepaid Dental

The Safeguard rates are in a guarantee through 12/31/10; however, the billed rates will be slightly lower than the contract rates for 2010 to account for \$10,854 in performance guarantee penalties for 2008. This performance guarantee penalty credit is applied across rates for all County populations, including Non-represented.

Life and AD&D

CIGNA Life

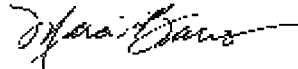
The CIGNA Life and AD&D plans are in rate guarantees through 12/31/10; however, due to favorable experience, we pursued a rate reduction on the optional and dependent life and

Page 6
August 19, 2009
Ms. Maryanne Keehn
County of Los Angeles

AD&D rates for 2010 – in addition to the 10% optional/dependent rate reduction that was negotiated for 2009. Negotiations with CIGNA resulted in a 2.7% decrease in optional and dependent life rates and a 4.8% decrease to the AD&D rates.

If you have any questions or need additional information regarding any of the renewals, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Marci Burns", with a horizontal line extending to the right.

Marci Burns
Principal

Copy:
Bill Lynes – County of LA
Bill Scott - Mercer, Los Angeles
Jeff Whitman - Mercer, Los Angeles
Ann Gillespie - Mercer, Los Angeles

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. Request for Renewals (RFRs) are drafted and reviewed by all stakeholders. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by a company officer with the authority to bind their proposal
- Questionnaire encompassing carrier financial results, prescription drugs and provider issues, health and productivity management, administration, and quality issues.
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Mercer drafts negotiation letters for each plan. The drafts are reviewed by the County and the Union consultants, and their respective comments are incorporated before release to the carriers. Weekly status conference calls are conducted between Mercer and the County to discuss the renewal results, negotiation process and any open issues.

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

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August 19, 2009
Ms. Maryanne Keehn
County of Los Angeles

Renewal meetings are conducted with each carrier. Attendees include representatives from DHR, CEO, Union consultants, BAC and EBAC committees and Mercer, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include: rate development/proposal rates, health management programs, performance guarantees, RFP deviations, network contracting environment and quality initiatives. Outstanding issues and requests for reduced rates – where areas of opportunity exist – are identified for each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

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Attachment B

MERCER

MARSH MERCER KROLL
SUY CARPENTER OLIVER WYMAN

Marci Burns
Principal

777 South Figueroa Street, Suite 1900
Los Angeles, CA 90017
213 346 2221 Fax 213 346 2580
marci.burns@mercer.com
www.mercer.com

August 13, 2009

Ms. Maryanne Keehn
Chief of Employee Benefits
County of Los Angeles
3333 Wilshire Boulevard
Los Angeles, CA 90010

Subject: Summary of 2010 Renewal Results and Recommendations (Non-represented Plans)

Dear Maryanne:

This letter summarizes the results of our analysis and negotiation of the 2010 renewal proposals for medical, dental, life and AD&D plans offered to the non-represented employees of the County of Los Angeles (County). In addition, it presents Mercer's recommendations for each plan. The renewal request and negotiation process is outlined in the attached Addendum.

Medical Plans

Overview

For the non-represented medical plans, the total projected premium increase for 2010 is 9.6% or about \$10.7 million. This compares to an initial increase of 10.2% or \$11.3 million. Negotiated savings, excluding benefit design changes, were just over \$817,000. The Anthem Blue Cross program is self-funded and expected and maximum liability costs are projected. The Anthem expected costs are the basis for the renewals outlined in this letter.

After our analysis of the renewal proposals, Mercer recommends that the County accept the final 2010 renewals offered by Anthem and Kaiser. A summary of key issues, negotiation results and the proposal terms are outlined below by carrier.

Anthem Blue Cross

Blue Cross' initial renewal proposal was an 8.0% increase across all plans, or about \$5.7 million over 2009. All plans are funded through a minimum premium arrangement with specific stop loss of \$300,000 per individual. The aggregate stop loss is currently set at 20% of projected claims for the POS, PPO and Catastrophic plans; the aggregate limit is 115% for the HMO plan.

MERCER

MARSH, MERCER, KROLL
GOVT EMPLOYERS GROUP SERVICES

Page 2

August 18, 2009

Ms. Maryanne Keahn

County of Los Angeles

Renewal discussions with Anthem targeted the following key areas.

- Increase in capitations, due in part to specific higher cost medical groups
- Higher than needed medical trend factors. Blue Cross utilizes book-of-business trend factors for this group. Actual experience for the County has shown a lower trend
- Excessive pooling and retention charges
- Trying to find a stable, consistent rating approach for the volatile catastrophic plan experience results
- Wellness program capabilities and costs

As a result of negotiations, Anthem updated their claim projections and lowered their pooling charges and retention, reducing the overall renewal to a 6.9% increase, or a savings of \$817,000. These rates include the cost of benefit changes to comply with mental health and substance abuse legislation.

Anthem agreed to fund the Health Risk Assessment incentives and administration from 2010-2012. In addition, they agreed to implement the My Health Advantage program, without increasing the retention charges for 2010.

Vision benefits for the HMO, POS, and PPO plans are offered on a non-participating insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit – coverage for laser eye surgery – which is self-insured by the County. The insured portion of the VSP cost is in a rate guarantee. Utilization of the Lasik benefit has been lower than projected, so the equivalent rates for that portion of the vision benefit are decreasing, resulting in an 8.2% decrease to the overall vision rates.

Anthem provided their 2008 performance guarantee report and applied the penalty of \$190,500 to the County's May 2009 invoice, so there is no direct impact to the renewal.

The County elected to increase the individual lifetime benefit maximum from \$2 million to \$6 million for the POS plan (tier 2 only), the Catastrophic plan, and the in-network PPO plan. This change was estimated by Anthem to be worth 0.2% of premium, or an additional \$187,000. We believe Blue Cross' most recent renewal proposal is justified and recommend that the County accept it.

MERCER

MARSH MERCER KNOLL
GUY CARPENTER OLIVER WYMAN

Page 3
August 18, 2009
Ms. Maryanne Keehn
County of Los Angeles

Kaiser

Kaiser's renewal proposal is a 13.9% increase for the Flex/MegaFlex program. These rates include the cost of benefit changes to comply with federal mental health and substance abuse benefits parity requirements. There were no performance guarantee penalties due from 2008.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Impact of the current economy on utilization
- Year over year cost trends and the significant deterioration in experience in the last quarter of 2008
- Changes to fee schedule and the impact on County results
- Health and wellness capabilities and costs

Due to the results of the recent risk study which showed that Kaiser covers a higher risk population than the other health plans, Kaiser indicated that if the County were to implement risk-adjusted employee contributions, they would be willing to offer a rate concession for the 2010 renewal. Absent of that contribution change, however, they are unwilling to reduce the rates.

Kaiser has again pointed to the County's status as a similarly sized subscriber group (SSSG) with respect to the Federal government, which limits Kaiser's ability to negotiate with certain groups, as a reason for not being able to adjust their rates.

There was previously one employee covered by the Kaiser Mid-Atlantic plan, which is community rated and has a standardized plan design; however, there is no one currently enrolled in that plan. Rates for this plan will increase by 5.4% for 2010.

Dental Plans

The Delta and Safeguard DHMO plans are in rate guarantees through 2010. The following summarizes the Flex/MegaFlex PPO plan renewal. A change to the Safeguard DHMO billing rates is also outlined.

Delta Dental PPO

This is the first year that Choice and Flex/MegaFlex plan experience is being tracked separately for rating purposes. For the Flex/MegaFlex program, Delta proposed a 5.4% increase to the contract rates and a 13.3% increase to the billed rates, with a one year rate

MERCER

MARSH MERCER KROLL
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Page 4
August 18, 2009
Ms. Maryanne Keehn
County of Los Angeles

guarantee. Rates are based on the current plan design and do not include any performance guarantee penalties.

Billed rates are currently lower than contract rates due to the available premium stabilization reserve (PSR). However, Delta's initial 2010 proposal did not apply any of the available funds from the PSR. Upon further evaluation of the projected PSR balance, Delta agreed to apply a subsidy of just over 3%, or \$345,000 to the rates. The final billed rate increase, before plan changes, is 9.5%. Since the 2010 subsidy percentage is less than the 8% subsidy for 2009, the billed rate renewal increase is higher than the contract rate renewal increase.

The County elected to increase the annual benefit maximum for the non-network portion of the plan from \$1,200 to \$1,500. This change will increase contract rates by an additional 5.2%, or about \$535,000 for 2010, resulting in a final renewal increase of 15.3% for the billed rates and 10.7% for the contract rates.

DeltaCare USA – DHMO

Current rates are guaranteed through 2010.

Safeguard Prepaid Dental

The Safeguard rates are in a guarantee through 12/31/10; however, the billed rates will be slightly lower than the contract rates for 2010 to account for \$10,854 in performance guarantee penalties for 2008. This performance guarantee penalty credit is applied across rates for all County populations, including the Choices/Options represented plans.

Life and AD&D

CIGNA Life

The CIGNA Life and AD&D plans are in rate guarantees through 12/31/10; however, due to favorable experience, we pursued a rate reduction on the AD&D rates for 2010. Negotiations with CIGNA resulted in a 4.8% decrease to the AD&D rates.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,



MERCER

THE MARSH MERCER KROLL
2010 SIX CAREER - GOVERNMENT

Page 5
August 18, 2009
Ms. Maryanne Keshn
County of Los Angeles

Marci Burns
Principal

Copy:
Bill Lynes – County of LA
Wayne Willard – County of LA
Jeff Whitman - Mercer, Los Angeles
Ann Gillespie - Mercer, Los Angeles

MERCER

MARSH MERCER KRELL
GUY KAPPELBERG OLIVER WOTMAIR

Page 6
August 18, 2009
Ms. Maryanne Keehn
County of Los Angeles

Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting with the County begins the process, in which objectives for the following plan year are established. Stakeholders for the Non-represented plan include the County and Mercer.

Based on the planning meeting discussions, a Request for Renewal (RFR) is drafted and reviewed by all stakeholders. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by a company officer with the authority to bind their proposal
- Questionnaire encompassing carrier financial results, prescription drugs and provider issues, health and productivity management, administration, and quality issues
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Mercer drafts negotiation letters for each plan. The drafts are reviewed by the County, and their comments are incorporated before release to the carriers. Weekly status conference calls are conducted between Mercer and the County to discuss the renewal results, negotiation process and any open issues.

MERCER

MARSH, MERCER & KROLL
GUY CARPENTER OLIVER WYMAN

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August 18, 2009
Ms. Maryanne Keehn
County of Los Angeles

Responses to the negotiation letters are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

Two-hour renewal meetings are conducted with each carrier. Attendees include representatives from DHR, CEO and Mercer, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include: rate development/proposal rates, performance guarantees, RFR deviations, network contracting environment, health promotion programs and quality initiatives. Outstanding issues and requests for reduced rates – where areas of opportunity exist – are identified for each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

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**COUNTY OF LOS ANGELES
2010 Renewal Results**

Attachment C
8/19/2009

	2009	2010 Original renewal current plan	2010 Negotiated renewal final plan	Percent Change	Negotiation Results	Benefit change Impact	Performance Guarantee Credits	Total Change from Original Renewal ¹
Flex/MegaFlex								
Kaiser	\$40,611,343	\$46,253,104	\$46,253,104	13.9%	\$0	\$0	\$0	\$0
Blue Cross ² Expected Cost	\$70,595,596	\$76,269,183	\$75,636,379	7.1%	(\$817,352)	\$186,548	(\$190,500)	(\$630,804)
Options								
Kaiser	\$229,198,334	\$250,912,149	\$250,912,149	9.5%	\$0	\$0	\$0	\$0
PacificCare	\$173,168,082	\$197,130,699	\$192,593,614	11.2%	(\$4,542,564)	\$5,479	(\$82,743)	(\$4,537,085)
Choices								
Kaiser	\$107,665,370	\$117,727,220	\$117,727,220	9.3%	\$0	\$0	\$0	\$0
CIGNA ³	\$46,435,471	\$58,762,065	\$56,741,042	22.2%	(\$2,021,023)	\$0	(\$52,909)	(\$2,021,023)
Total Medical	\$667,674,096	\$747,054,419	\$739,865,507	10.8%	(\$7,380,339)	\$192,028	(\$326,152)	(\$7,188,912)
Delta ⁴								
Flex ⁴	\$9,436,125	\$10,644,145	\$10,834,427	14.8%	(\$345,147)	\$535,428	\$0	\$190,282
Options	\$40,105,337	\$40,105,337	\$40,105,337	0.0%	\$0	\$0	\$0	\$0
Choices ⁴	\$18,651,983	\$21,065,932	\$20,443,491	9.6%	(\$623,441)	\$0	\$0	(\$623,441)
Safeguard ⁵								
Flex	\$187,027	\$186,723	\$186,723	-0.2%	\$0	\$0	(\$641)	\$0
Options	\$1,857,350	\$1,854,438	\$1,854,438	-0.2%	\$0	\$0	(\$6,136)	\$0
Choices	\$1,183,617	\$1,181,683	\$1,181,683	-0.2%	\$0	\$0	(\$4,075)	\$0
Total Dental	\$71,421,438	\$75,033,258	\$74,606,059	4.5%	(\$568,587)	\$535,428	(\$10,854)	(\$433,159)
CIGNA Basic Life ⁶								
Flex/MegaFlex	\$41,639	\$41,639	\$41,639	0.0%	\$0	\$0	\$0	\$0
Choices/Options	\$1,174,239	\$1,174,239	\$1,174,239	0.0%	\$0	\$0	\$0	\$0
CIGNA Optional Life ⁶								
Choices/Options	\$22,497,512	\$22,497,512	\$21,890,080	-2.7%	(\$607,433)	\$0	\$0	(\$607,433)
Total Life ⁷	\$23,713,391	\$23,713,391	\$23,105,958	-2.6%	(\$607,433)	\$0	\$0	(\$607,433)
TOTAL	\$762,808,926	\$845,807,068	\$837,577,564	9.8%	(\$8,356,353)	\$727,456	(\$337,006)	(\$8,229,503)

¹ Reflects changes in total cost due to negotiations and benefit changes.

² Blue Cross' Performance Guarantee credits were paid directly to the County. Benefit change increased the lifetime maximum from \$2M to \$5M on POS, PPO and Cat plans.

³ CIGNA and Delta Dental renewals are based on the billed, subsidized rates. Delta benefit change: Increase annual benefit max to \$1500 for 2nd two tiers.

⁴ Negotiated savings for Delta Dental represent savings from using the PSR to subsidize the rates.

⁵ Safeguard's premiums are based on billed rates.

⁶ Life rates are guaranteed through 12/31/2010.

⁷ Life premiums do not include AD&D plan through CIGNA or the MetLife Optional Life plan for Flex/MegaFlex.

EXECUTIVE OFFICE – BOARD OF SUPERVISOR

AGENDA ENTRY

DATE OF MEETING:	09/15/2009
DEPARTMENT NAME:	CHIEF EXECUTIVE OFFICE
BOARD LETTERHEAD	CHIEF EXECUTIVE OFFICE
SUPERVISORIAL DISTRICT AFFECTED	ALL DISTRICTS
VOTES REQUIRED	3-VOTES
CHIEF INFORMATION OFFICER'S RECOMMENDATION	APPROVE () APPROVE WITH MODIFICATION () DISAPPROVE () or NONE (X)

******* ENTRY MUST BE IN MICROSOFT WORD *******

Instructions: To comply with the Brown Act requirement the reader should fully understand what the department is asking the Board to approve. The recommendation must describe what the action is for; with whom the action is being taken; fiscal impact, including money amounts, funding sources, and effective dates. Also, include an instruction for the Chair(man) or Director to sign when such signature is required on a document.

____ Recommendation: Approve proposed premium rates for County-sponsored plans as follows: (a) medical and dental rates for represented employees for the period January 1, 2010 through December 31, 2010; b) medical and dental rates for non-represented employees for the period January 1, 2010 through December 31, 2010; (c) optional group term life, dependent life insurance, and accidental death and dismemberment (AD&D) rates for represented employees for the period January 1, 2010 through December 31, 2010; (d) accidental death and dismemberment (AD&D) rates for non-represented employees for the period January 1, 2010 through December 31, 2010; and (e) rates for Short-Term Disability (STD), Long-Term Disability (LTD), and LTD Health Insurance plans; and approve the following related actions:

Instruct County Counsel to review and approve as to form the appropriate agreements with Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Blue Cross), Connecticut General Life Insurance Company and CIGNA Healthcare of California, Inc. (CIGNA), Kaiser Foundation Health Plan, Inc. (Kaiser), Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic), PacifiCare of

California and PacifiCare Life & Health (PacifiCare), Life Insurance of North America (LINA), Safeguard Health Plans, Inc. (Safeguard), and Delta Dental Plan (Delta Dental), or their successors or affiliates for the period January 1, 2010 through December 31, 2010, and instruct the Chair to sign such agreements;

Approve proposed premium rates and benefit coverage changes for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS), and the California Association of Professional Employees (CAPE) for the period January 1, 2010 through December 31, 2010;

Approve proposed premium rates and benefit coverage for the health plan sponsored by the Los Angeles County Fire Fighters Local 1014 (Local 1014), exclusive of the additional dental benefits proposed by Local 1014, for the period January 1, 2010 through December 31, 2010;

Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2010. (Relates to Agenda No. ____)